

**OFFICE OF THE LIEUTENANT GOVERNOR**  
**EVELYN SANGUINETTI – LIEUTENANT GOVERNOR**

**Local Government Consolidation and Unfunded Mandates Task Force**

**Meeting Minutes**

Monday, August 24, 2015

Illini Union

Room 210

1401 West Green Street

Urbana, IL 61801

10:00AM

<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Present</b>
Evelyn Sanguinetti	Lt. Governor	State of Illinois	Yes
Tom Demmer	Representative	90 <sup>th</sup> District	Yes
Mark Batinick	Representative	97 <sup>th</sup> District	Yes
Jack Franks	Representative	63 <sup>rd</sup> District	No
Emmanuel Chris Welch	Representative	7 <sup>th</sup> District	No
Dan Duffy	Senator	26 <sup>th</sup> District	No
Dale Righter	Senator	55 <sup>th</sup> District	No
Martin A. Sandoval	Senator	12 <sup>th</sup> District	No
Linda Holmes	Senator	42 <sup>nd</sup> District	No
Karen Darch	Mayor	Barrington	Phone
Karen Hasara	Former Mayor	Springfield	Phone
Brad Cole	Executive Director	Illinois Municipal League	Yes
Ryan Spain	City Council Member	Peoria	Yes
Dan Cronin	Chairman	DuPage County	Phone
Michael Bigger	Former Chairman	Stark County	Yes
Mark Kern	Chairman	St. Clair County	Phone
John Espinoza	Board Member	Whiteside County	Yes
Dr. Darlene Ruscitti	Regional Superintendent	DuPage Schools	Phone
Steffanie Seegmiller	Chairman	Arthur School Board	Yes
M. Hill Hammock	Senior Fellow	Metropolitan Planning Council	No
Char Foss-Eggemann	Trustee	Park Ridge Library Board	No
Warren L. Dixon III	Township Assessor	Naperville	Yes
George Obernagle	Chairman	Kaskaskia Regional Port District	Phone
<b>Non-Voting Members</b>			
Clayton Frick		Deloitte Services LLP	Yes
Mr. Aranowski			Yes
Mr. Kersey			No
Mr. Zigmund			Phone
Mr. Perkins			Phone

The Local Government Consolidation and Unfunded Mandates Task Force met for the seventh time on August 24<sup>th</sup>, 2015 with Lieutenant Governor and Chair Evelyn Sanguinetti presiding.

## **MEETING LOCATION**

Illini Union  
Room 210  
1401 West Green Street  
Urbana, IL 61801

## **MEETING START**

Meeting Scheduled Start: 10:00AM

Meeting Actual Start: 10:00AM

## **AGENDA**

### **I. Call to Order and Roll Call**

- a. Lt. Governor Sanguinetti called the meeting to order at 10:00AM CT and welcomed members.
- b. Roll Call was taken. Quorum was not met.

### **II. Approval of meeting minutes from August 3, 2015**

- a. Voting on the minutes from the previous meeting was tabled until Quorum was met.

### **III. Chairman's Remarks – Lt. Governor Evelyn Sanguinetti**

- a. Lieutenant Governor Sanguinetti welcomed Task Force members and elected officials present. She then reported on developments in consolidation and procurement reform, citing three amendatory vetoes issued by Governor Rauner. HB 4133 exempted student newspaper printing contracts at Southern Illinois University from the Illinois Procurement Code for one year and Governor Rauner's amendatory veto would apply the procurement flexibility to all public universities and colleges during a one year trial period, which Lt. Governor Sanguinetti noted was a step in the right direction for procurement reform. She then remarked that if General Assembly concurs with the Governor's amendatory vetoes of SB 781 and HB 219, two bills relating to fire protection district consolidation, then a major recommendation of the Task Force will have been realized.
- b. At 10:07AM Quorum was met and Lt. Governor Sanguinetti opened the minutes from the last meeting for correction. No correction suggestions were made.
- c. Lt. Governor Sanguinetti then sought a movement for the approval of the meeting minutes from August 3<sup>rd</sup>, 2015.
  - i. Brad Cole moved to the motion to approve. Steffanie Seegmiller seconded.
  - ii. The motion was approved by majority ayes with no nays recorded.

#### IV. **Presentations:**

##### **Higher Education Unfunded Mandates & Procurement Reform**

###### **a. Mike Bass, Senior Associate Vice President and Deputy Comptroller, University of Illinois**

- i. Mike Bass began by giving an overview of the University's desire to be as economically effective and efficient in order to enhance excellence and protect its competitive position.
  - The budget of the University in 2015 was \$5.6 billion; after subtracting pension and healthcare costs the operating budget totaled \$4.5 billion, with \$1.5 billion spent on goods and services.
  - The University lost exemptions due to the Illinois Procurement Code which totaled \$75-\$90 million.
  - They are working on passing through the General Assembly expansions in exemptions, particularly for prescription drugs which total \$200-\$250 million, as part of a broader procurement reform bill.
- ii. He would like the University to conduct business as cost effectively as possible and see changes in procurement to make this happen. He referred to the SB 51 procurement reform bill as an ethics bill, not as a model for the procurement process.
- iii. Stated that the current procurement process limits the appetite of vendors to want to do business with the state which costs time and money.
- iv. Mr. Bass concluded by stating a ½% efficiency increase in some fashion would provide \$7.5 million in relief and that the University is committed to being as effective and efficient as possible and can do so through being afforded more autonomy in the way they conduct business.

###### **b. Matt Bierman, Budget Director, Western Illinois University**

- i. Matt Bierman agreed with Mr. Bass's outline of the issues in the procurement process for universities and stated that since the passage of SB 51 they have been asking for reform, noting four or five legislative requests regarding procurement in higher education and unfunded mandates.
- ii. He stated the bill has negatively impacted the ability of the institution to source goods and services due to the added scrutiny of agencies and increased compliance regulations which limit the vendor base and therefore increasing costs.
  - Their community has a small vendor base which is experiencing an increase in costly and time consuming paperwork that then deters vendors from doing business with the state of Illinois. This is especially true for small businesses.
  - Increases in vendor costs are directly linked to increases in costs to students and tax payers

- iii. He emphasized the need to examine which regulations add value and which are counterproductive as well as which encourage competition rather than deter vendors.

**c. Alan Phillips, Vice President of Administration and Finance, Northern Illinois University**

- i. Alan Phillips stated that the current environment is higher education is declining, with enrollment down and state funding being of great concern. Because of this the University is doing everything it can to be more efficient and taking a close look at everything they do, but the unnecessary and restrictive requirements make this difficult.
- ii. He cited a few examples including:
  - Reporting requirements take considerable time and resources which in turn drives up administrative costs, which they are then criticized for.
  - A capital development board may be helpful for small institutions but large institutions do not need the help and support of such a body as they have the resources and expertise to handle large projects.
  - Veterans' grants are an unfunded mandate and cost \$30 million to public universities which are then absorbed by the institutions and come at expense of the other students.
- iii. Mr. Phillips concluded by stating that adding on additional requirements in order to promote ethics and accountability actually makes things more inefficient and costly in practice.

**d. Paul McCann, Interim Vice President for Business Affairs/Treasurer, Eastern Illinois University**

- i. Paul McCann began by stating they are operating under a procurement code which totals 376 pages, with an additional 171 pages of proposed regulations. In 1989, the code was 32 pages.
- ii. He stated multiple examples of inefficiencies under the current procurement code including:
  - Regulations to submit reports to the Comptroller's Office which they have yet to determine the purpose of.
  - Multiple units of oversight from various agencies create redundancies and added burdens.
  - Ten page requirements for vendor certifications in many cases require an attorney to understand and vendors are subject to completing disclosures and must register with multiple boards and agencies if purchases total over \$50,000.
- iii. He noted that due to SB 51 the cost of procurement has gone up due to increasing regulations and paperwork requirements.
  - Instead of decreasing staff to comply with budgetary restrictions, the school must maintain or even increase personnel to keep up with the paperwork burden.

- It costs around \$100,000 per year to complete paperwork.
- iv. He then commented on the Governor's recent passing of a fleet vehicle fuel requirements (that 15% of the fleet must be using alternative fuels), and noted that this unfunded mandate has huge costs associated with it.
  - The school purchases used vehicles to save money, which do not use alternative gas
- v. Mr. McCann also noted that tuition waivers also cost higher education institutions millions of dollars.

**e. Time was allotted for questions:**

- i. Lt. Governor Sanguinetti: Do the procurement hindrances which all of you spoke of have a detrimental impact on attracting private research dollars?
  - Mike Bass responded that there could be detrimental effects; he would ideally want to exempt research activity related to non-state awarded grants. Procurement causes roadblocks to purchasing equipment needed for research.
  - Alan Phillips stated that Northern Illinois University has lost grants because, for example, they could not procure a particular type of equipment in a cost effective way if it was available from only one vendor and had to go to an RFP. This has a direct impact on the work being done and makes it more difficult to obtain grants.
- ii. Representative Batinick asked for the floor which Lt. Governor Sanguinetti granted.
  - Representative Batinick offered a correction to the assertions made by Paul McCann regarding the vehicle alternative fuel mandate. He stated that the bill passed in fact reduced the alternative fuel requirement from 30% to 15% of purchases, added hybrids as an option and changed the term "vehicles" to passenger cars. Therefore while still a mandate, the bill in question is actually a relief.
  - He then cited that the state is cutting funding to higher education due to catching up with pension costs.
  - He explained that state falls between 3<sup>rd</sup> and 9<sup>th</sup> in the nation in terms of spending on higher education, yet tuition costs are higher. So where is the money going?
    - a. This shapes up to be a \$1 billion overspend in higher education in the state.
    - b. He noted that Illinois has a net out migration of students, losing approximately 16,500 students due to higher tuition costs associated with the higher costs of doing business in Illinois.

- c. Since 2009 total enrollment has decreased around 18%, which negatively impacts the schools and the future of the state.
    - He then discussed the importance of differentiating the two parts of procurement – the process and the content. He noted the introductory presentations remarked mostly on the process.
    - He remarked that he filed HB 4215 in order to allow the Illinois Board of Higher Education to come up with their own procurement code that fit what they do in order to move the ball forward.
- iii. Dan Cronin asked to interject; he noted that the biggest cost for higher education institutions is personnel salaries and retirement benefits. He asked Mike Bass how much money and what percentage of an overall budget would aggressive procurement reform save?
  - Mike Bass responded that systematic and structural changes do not happen quickly, but you set goals for extracting savings with organizational and technological improvements and create a win-win for the institution and the state by striving to do things quickly and efficiently to save administrative costs.
  - Representative Batinick emphasized that more vendors increases competition and increases savings, so this is an important factor along with increasing administrative efficiencies.
  - Mike Bass remarked that the cost of education is not sustainable
- iv. Representative Batinick responded that increasing procurement savings by a certain percentage and dividing it among the students in the Illinois higher education system, it is a good deduction in costs for the students. (\$1.5 billion with a 3% savings would equate to \$750 in savings per student). He then asked for examples of requirements or unfunded mandates not from the paperwork standpoint that impact costs.
  - Alan Phillips discussed the requirement to tag, track, and report property assets. Lowering the cost threshold to include lower ticket items would require hiring new personnel and hundreds of thousands of dollars solely to tag, track, and report assets. He currently has three people on staff who do nothing but count things and are only there for the purpose of compliance with regulations.
- v. Lt. Governor Sanguinetti: Which state has the gold standard from the university perspective on procurement?
  - Mike Bass responds he is unsure but the contracts in Illinois procurement are what hurt process and products for the schools.

- Michael Bigger reemphasized Lt. Governor Sanguinetti's question and asked for examples of states with good procurement records.
- Mike Bass responded that Kansas and Virginia are models to look at.
- Representative Batinick emphasized the importance of focusing on the macro such as graduation rates, student retention and tuition costs, and if those are successful then there is less concern with the micro view of how schools purchase things only. He suggested looking at states with better macro metrics and seeing where best practices are in the micro realm.
- It was noted that the \$1 billion overspend was also due to high personnel costs in the state and not solely on unfunded mandates and procurement costs, which would have represented about 25% of the "overspend".
- vi. Lt. Governor Sanguinetti remarked that the Task Force did vote to repeal or revise the Prevailing Wage Act and wanted to conclude by asking what impact the Prevailing Wage Act had on higher education institutions.
  - Paul McCann responded that it does have an impact and increases the costs for contracts.
  - Matt Bierman agreed and added that the cost of labor due to prevailing wage contributed to tripling the project costs over what the same project would have cost in the private sector without the regulations they are under as a university.
  - Mike Bass agreed, he suggested moderate steps on capital such as raising the division of work level that you're required then to go out to bid, which is currently \$250,000. When doing hundreds of millions in construction it would be nice to have different ways of doing it.
  - Alan Phillips added he agreed with his counterparts and emphasized they are doing everything they can to keep costs down and retain students.
  - Ryan Spain contributed that by circumnavigating the restrictions place on higher education institutions for big projects, a project in Peoria was built faster, better and twice as large by using donor money. Noted that there are striking differences when tackling large capital projects when able to act inside and outside of the procurement code.
- vii. Brad Cole mentioned the dual mission of the Task Force and brought up the issue of Consolidation in higher education. He asked if this is an avenue to explore in the future due to reduced student enrollment in some institutions.
  - Representative Batinick asserted that the brain drain is the biggest pending problem the state has so we need to keep

students in the state with more affordable options rather than consolidate.

V. **Presentations:**

**Township Consolidation & Unfunded Mandates**

a. **Bryan Smith, Township Officials of Illinois**

- i. Bryan Smith stated that township governments are the least known and most misunderstood form of local government in Illinois. He remarked that “reinventing government” is a term that has been used more and more frequently in an effort to promote the adoption of innovative management techniques on all levels due to increasing financial restraints:
  - Townships in rural communities face stagnant property values which limit their tax intake
  - Townships in suburban areas deal with property tax caps
  - Raising taxes is not a popular or realistic option
  - Cutting services calls into question the legitimacy and viability of the government
  - Therefore, innovation and creativity in funding and delivering services are necessary.
- ii. He continued to say that townships utilize intergovernmental agreements for services, for example road maintenance and elderly care. These work so well because spending is lower at the local government level due to lower labor costs.
- iii. He noted the increasing trend of shifting federal responsibility to the state, which in turn places it on local government.
- iv. He examined the consolidation of special districts into townships as an example of local government control and efficiency at its finest.
  - More responsibilities make the township more accountable and accessible to the people they serve.
- v. Mr. Smith remarked in terms of unfunded mandates, the burden on townships for publication requirements are quite hefty and it would be most efficient to utilize the internet for record publications.

b. **Charlie Montgomery, Highway Commissioner, Monticello Township, Piatt County**

- i. Charlie Montgomery began by comparing stories of road maintenance that highlighted the diverse township responses and dedication to providing vital road services despite budgetary and personnel shortages.
- ii. He emphasized that intergovernmental agreements are necessary in order to share equipment and man power and is an example of excellent efficiency and transparency in local government.
- iii. He concluded that it takes passion and dedication to the communities one is serving in order to creatively overcome obstacles.

c. **Bob Anderson, McHenry County Citizens for Township Consolidation**



- i. Bob Anderson opened with poll results stating 52% of McHenry County respondents think consolidation is important and a top priority and only 10% of respondents believe the current system is working fine.
- ii. He discussed his group's grassroots effort to consolidate townships in order to increase efficiency and reduce local government.
  - The goal is to create a comprehensive map and plan for consolidation.
- iii. He also noted the flaws in the property assessment system and urged the importance of creating greater accuracy and fairness in property taxes because this caused some townships to have bloated fund balances.
- iv. He would like the Task Force to create a clearer path to the ballot box and believes consolidation should be voted on by the public.

**d. Alderman Jane Grover, City of Evanston**

- i. Alderman Jane Grover stated that the city of Evanston and the township of Evanston were coterminous. Evanston's was one of 20 coterminous townships in Illinois and one of 5 in Cook County.
  - Illinois Townships are charged with three basic functions:
    - a. The administration of General Assistance;
    - b. Property assessment; and
    - c. Road construction and maintenance.
  - In Evanston, the only function of the Township was the administration of the General Assistance program.
- ii. She explained the Township Board of Trustees began discussing dissolution when evaluating the \$1.5 million in annual operation with 40% administrative costs, but the process to achieve governmental consolidation was uncertain: the existing laws offered conflict and little clarity and there was a lack of precedent.
  - Because of the uncertainties as how to legally dissolve an Illinois township the Evanston City Council approved a non-binding, advisory referendum which was approved by 2/3s of Evanston voters.
  - Legislation was put into place but the specific language only made it applicable to Evanston and nearly impossible to expand to other coterminous townships.
  - With a clear path to dissolution, the referendum passed with 64% vote. This was only the third time in Illinois history, and the first time since 1932, that an Illinois Township has been discontinued.
- iii. She stated Evanston has maintained its commitment to enhance the reach of the township's general assistance program and emergency services to residents in need with no net increase to taxpayers while significantly reducing administrative costs.

- iv. Alderman Grover concluded that the State of Illinois has one less unit of government, two fewer elected officials, and one less government office, but with improved services to more residents.

**e. Time was allotted for questions:**

- i. Warren Dixon asked Bryan Smith to touch on the mandate of a township government.
  - Bryan Smith responded that the three mandates are to administer general assistance, provide property assessments, and maintenance of roads and bridges outside of other jurisdictions. He mentioned many townships have assumed additional duties when need be.
- ii. Warren Dixon then asked what the average cost per taxpayer for township services.
  - Bryan Smith responded the average is around 2%-2.5%.
- iii. Warren Dixon mentioned conterminous townships and that there are 19 in Illinois and wanted to clarify the differences between conterminous townships in Cook County and the rest of the state.
  - Bryan Smith responded that everything is the same with the exception of the assessor.
- iv. Warren Dixon then questioned what is affecting property taxes in the state of Illinois. He mentioned that his township has the lowest number of parcel evaluations appealed and continued to emphasize that property assessment accuracy is very important. He then asked Charlie Montgomery of the 53% of road maintained by townships, how many of these are union versus non-union?
  - Charlie Montgomery responded the number maintained by a union member could be counted on one hand.
  - Warren Dixon agreed and noted that the average township employee works for half the cost of a state or municipal employee.
- v. Warren Dixon then asked Bob Anderson where the cost based analysis on consolidating townships comes from.
  - Bob Anderson responded that the numbers come from looking at costs of elected officials salaries and benefits as well as examining the average expenditures and outputs of townships.
- vi. Warren Dixon continued on to address the issue of township access for seniors and claimed longer distances to travel for seniors would be a negative effect of township consolidation.
  - Alderman Jane Grover responded that by intergovernmental agreement they were able to maintain easy accessibility to services while still eliminating the township.
- vii. Warren Dixon continued on to emphasize the importance of getting property assessments correct the first time instead of disenfranchising taxpayers and wants one assessment system in the state.

- viii. Mike Bigger remarked that the 15 counties with populations under 10,000 operating under the commission form of government that could absorb township duties.
- ix. Lt. Governor Sanguinetti asked Bryan Smith: what are the top two or three unfunded mandates by the state that negatively impact your association's members?
  - Bryan Smith responded that the publication requirement is the largest issue and stated that not everyone has access to a computer, so websites for all units is unreasonable for smaller local governments. He mentioned motor fuel tax funding issues is another one to look at as well.
  - Lt. Governor Sanguinetti remarked that the Task Force did take a vote on publication requirements.
- x. Lt. Governor Sanguinetti then asked Alderman Grover is she would agree to the enlargement of the amendment that made it possible to dissolve the Evanston Township so that it could be applicable to other coterminous communities.
  - Alderman Grover responded that there should definitely be a clear path to dissolve and consolidate and it was a good idea to go about first via referendum in order to engage the residents and open more eyes to general assistance programs.

**VI. Task Force Report Update - Norm Walzer, Northern Illinois University**

- a. Norm Walzer discussed the four aspects of the ongoing project:
  - i. The number of government units from various agencies has been reconciled and the summary of expenditures and revenues by each governmental type along with comparisons to other states is being compiled.
  - ii. Brief summaries showing the numbers, locations, powers, and related information for eight types of governments (municipalities, counties, townships, school districts, community colleges, library, fire protection, and park districts) are being created and will include information on expenditures and revenues as well.
  - iii. Electronic questionnaires are being distributed to local governments to evaluate the cost and importance of unfunded mandates
  - iv. Experiences in other states with streamlining governments and reducing mandates are being researched and information on best practices is being collected.

**VII. New Business**

- a. No new member comments were brought forth.

**VIII. Public Comment**

**a. David Fonda, Freeport, IL**

- i. David Fonda began by saying that he resides in a township and pays taxes in a township that has a coterminous boundary with a

municipality. His township really only delivers general assistance rather than the functions of road maintenance or assessments.

- ii. He believes they are servicing a very small amount of residents with a large budget, which is wasteful.
- iii. He brought up public act 0980127, which would permit voters and property owners within townships to determine whether or not they are exemplary and he would like to rewrite this public act in order to open it up to all townships with conterminous boundaries in the state.
- iv. He concluded by emphasizing the need to let the voters at a local level decide.

**IX. Adjournment**

- a. Lt. Governor Sanguinetti announced the next meeting is September 30<sup>th</sup> in Kane County with exact time and location to be determined.
- b. Lt. Governor Sanguinetti motioned to adjourn at 12:31pm. Mark Batinick moved the motion and John Espinoza seconded. All ayes with no nays recorded.